

Demystifying the Renewal-Ready Data Problem



Introduction

Do you have a renewal problem?

If your company has recurring revenue through customer renewals or subscriptions, the answer is probably “yes.” You might think your subscription or other renewal rates are fine. But how do you measure their effectiveness?

Do most of your customers renew their subscriptions or services each year?

Are you developing relationships with them for the long term? Or settling for a few transactions?

Are you increasing sales costs because your sales force lacks the information they need?

In short, *are you leaving money on the table?*

If you're like many companies, most of your investment in marketing and sales goes to new customer acquisition. However, consider these research findings:

It is **81%** less expensive to upsell to an existing customer than it is to acquire a new customer.¹

Renewals typically represent **40%** of a company's annual revenues and **50%** of its profits.²

6-7 times less expensive to acquire revenue from your existing customers than new ones.³

A **10%** increase in customer retention results in a **30%** increase in company valuation.⁴

Compelling statistics like these suggest it's time to look closely at your customer renewal rates, renewal process and renewal data.

The Power of the Renewal

We're not just talking about renewals for routine maintenance. These are valuable in their own right, but only part of the story. We're also talking about re-engaging with customers, about cross-selling and upselling to them, about retaining and growing those customer relationships. We're talking, in short, about developing customers for life, rather than just for a few transactions.

To achieve these goals, you need renewal—ready data—sales transaction data that are accurate, complete and presented in a clear, actionable manner.

The challenge is to obtain such data, which is more difficult than it might first appear.

The Difficulty of Getting Renewal-Ready Data

Simply put, the renewal sales process is different from the initial sales cycle. Renewals rely on accessing existing data as opposed to storing new data (as is the case with initial sales). The difficulty of getting renewal-ready data is compounded by the nature, volume, time-sensitivity and location of the data.

The Nature of the Data

Renewal data is best tracked at the line-item level, which typically includes information like contract ID, company name and ID, serial number, description, and service start and end dates. Key data elements may differ depending on factors such as the nature of the product (e.g., a subscription service, on-premise software or a service contract on leased hardware), the “stage” of the product (e.g., end-of-life) and on any superseding products or offers. Different geographies or theatres might also generate different information. With all this granularity, it’s not surprising that a renewal might require multiple data feeds, which adds to the complexity.

The challenge is greater when companies have not captured all of the necessary information or are tracking by customer or contract ID rather than by line item. This is often the case when companies have added a subscription service to their business model. Many of these companies didn’t think ahead about how or where the data should be stored to drive future engagements, and now may face the challenge of managing a renewals business without the data needed to accurately bill for a renewal.

To further complicate matters, it’s quite possible that parts of the original sale (e.g., leased software) can be renewed while other parts (e.g., purchased hardware) cannot. If the records don’t show the line-item level of detail, it will be difficult to select the data needed for an effective renewals program.

Without the right data at the right granularity, organizations cannot effectively engage with their customers about what should be renewed (and what opportunities there are for upselling or cross-selling). This problem can be especially acute when the products have been sold through the channel, which often means that the product/service company doesn’t even know the identity of the end-user.

Volume of Data

According to ServiceSource, a single renewal requires at least 20 pieces of data—twice as much as required for a new product sale. What’s more, renewal data is constantly changing and accumulates at an astonishing rate. The quality of the data probably varies, and there are often inconsistencies across geographies.

Time-sensitivity

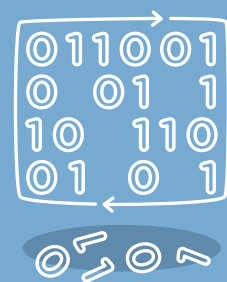
Renewal data is perishable. In the renewals business, you’re racing against the clock. To get the best chance for success, it’s important to get the renewal quote to the customer 90 days before the existing contract expires. The shorter the time before a contract expires, the less likely the contract will be renewed (if only because of the time it takes to negotiate and process a renewal). And things get worse after expiration. It’s estimated that renewal rates decline by 3% each week after a contract expires (ServiceSource).

Problems with Renewal Data

- Gaps and inconsistencies in data
- Data stored in multiple systems
- Time-consuming process to assemble the data
- Key renewal information missing

Impact of Not Having Renewal-Ready Data

- Time-consuming, error-prone quotations
- Inability to consistently measure performance
- Faulty review of sales team’s performance
- Unhappy customers and channel





Location of the Data

Often the most difficult problem is that data is typically fragmented in several different systems such as the Customer Relationship Management (CRM), Enterprise Resource Planning (ERP) and Order Management (OM) systems from companies such as Oracle, Business Objects, and Salesforce.com. Larger corporations that have grown through acquisition might even have duplicate CRM/ERP systems, which complicate the problem even more. In some cases, the data is in legacy systems, which may require re-licensing for access.

None of these systems are built to manage renewals. And the systems don't "talk" to each other. This causes a gap—a "no-man's land" between the post-sales process and the renewals that generate those all-important recurring revenues.

Impact on Renewal Rates




What does all this mean for your renewals team? It means they have to spend a lot of time accessing different systems, pulling the needed data from those systems, and cross-referencing that data. A typical renewals team imports this data into a static Excel document to manage the renewals. This whole process is manually intensive, doesn't scale and doesn't give the organization the visibility it needs.

In short, the sales team may need to reassemble the information for an account or opportunity. And they will have to do this for each and every renewal opportunity they manage, every quarter. This could mean anywhere between 200 and 500 opportunities per rep per quarter. Imagine what this means when compounded company-wide. The upshot? Your renewals team may be spending about half its time assembling the data, leaving less time to actually sell renewals.

What's more, because of the problems of importing the data, the team may not have all the information needed for each renewal. This means inaccurate renewal quotes and subsequent quote revisions, which can strain a customer relationship and increase the risk of churn. This inefficient process often causes individual sales reps to lose sight of their own performance. Without this visibility it's difficult to know which levers to pull to increase individual and team performance.

All this can have a large effect on the company's performance. It's hard for management to get accurate visibility into the renewals business, which affects planning. How can you really understand a business that's spread out across static Excel spreadsheets? How can you make strategic decisions when the recurring revenue picture is incomplete or out of date?

Renewal-Ready Data Consists of:

 <p>OPPORTUNITY</p> <ul style="list-style-type: none"> End user Parent account ID Existing end date New start date New end date Unique ID Resolution date 	 <p>GEOGRAPHY</p> <ul style="list-style-type: none"> Theatre Country Territory Region 	 <p>PRODUCT/SVC</p> <ul style="list-style-type: none"> Product SVC level Product SKU Serial number Business line 	 <p>FINANCIAL</p> <ul style="list-style-type: none"> Renewal amount Renewal currency PO number Booking date 	 <p>CHANNEL*</p> <ul style="list-style-type: none"> Direct/channel Reseller Distributor
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*ONLY REQUIRED WHEN OPPORTUNITY SOLD THROUGH CHANNEL.



The Benefits of Renewal-Ready Data

What does the other scenario look like? What does it mean when a company has renewal-ready data—sales transaction data that is complete, accurate and up-to-date?

This means you'll be able to access and present the necessary data in a meaningful way to facilitate the renewals process, and to enable the data to be analyzed to derive meaningful business intelligence.

From a practical standpoint, this scenario enables you to intelligently generate, identify and monitor opportunities, and validate that the opportunities are accurate and assigned to the appropriate sales territories and reps. You will be able to help your sales force maximize opportunities, including those that otherwise could easily be missed.

This scenario significantly increases the possibility that the sales team will contact the right person, at the right time, with the right information. It makes it easier for you to renew, upsell and cross-sell.

You could also reduce the risk of inadvertently discounting your renewal rates as customers and partners will be engaged well in advance of expiration with the right data the first time.

In fact, ServiceSource estimates that renewal-ready data results in:

- 25% increase in sales productivity
- 1-4% point improvement in upselling and cross-selling
- 2-5% point increase in product refresh
- Increased global visibility
- Greater channel and customer satisfaction.

Because of reduced marketing and sales expenses, recurring revenue can be up to twice as profitable as new revenue. If done correctly, it's estimated that 90% of the revenue will come not from the initial sale, but from the renewals, up-sells and cross-sells.⁵

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Renewal-ready data offers a new opportunity to grow and enhance your relationship with your customers, increasing the chances you will have a customer for the long term—if not for life.

Another benefit of getting your data renewal ready is that your sales team will probably be more productive, profitable and more loyal because they will be more successful. (Definitely good for morale.)

And the data will give you greater visibility into the renewal cycle and thus into the vitality of the company as a whole. You can't manage what you don't monitor. So having accurate, up-to-date information on your renewals business will help you understand the big picture and manage the revenue performance.



How Can You Get Renewal-Ready Data?

How do companies deal with the problem of making their data renewal ready? How do they assemble the data and present it in a meaningful way to facilitate the renewals process and help generate meaningful business intelligence?

It's a tall order, and there are three basic approaches: maintain the status quo, develop an in-house work-around, or contract with a third party that offers an automated system.

Maintain the Status Quo

One approach is to do nothing and leave money on the table. This is the “see-no-money, make-no-money” scenario. This approach ignores the fact that renewal revenue is becoming a larger and larger part of total revenue. Gartner has found that renewal revenue for technology companies is growing at 8% a year, compared to only 6% for new sales (“Renewal Sales Require a Unique Approach”).

Develop an In-house Solution

The second approach is to customize the CRM, ERP and other systems to enable transformation of the data for renewal. A major problem with this approach is that these systems aren't really geared for renewals.

CRM systems are outwardly facing, focused primarily on meeting customer and sales objectives. These systems commonly house information about customers and customer interactions. An ERP system, on the other hand, is inwardly focused. It strives to optimize processes and productivity while controlling costs. ERP engines run on process and transactional data.

Neither system is geared for the post-sales process of recurring revenues because they don't present one clear, concise renewal picture, where all the data is in one place and presented in an actionable manner. So many companies develop in-house systems that extract, transform and load data from the CRM, ERP and similar systems.

But such in-house solutions are prone to failure, costly in terms of the IT staff and infrastructure, and technically challenging. Transforming and enriching data from one data model to another is difficult. It's generally accepted that migrating data from one state to another (often referred to as ETL or Extract, Transform and Load) is one of the most difficult data warehouse projects.

In simple terms, transformation involves these steps:

STEPS TO DATA TRANSFORMATION	
KNOWLEDGE	Understanding what data is needed and where it resides
MAPPING	Collating data from different systems so that renewal data is aligned for selling and for completing the renewal sales cycle
VALIDATION	Determining which data is valid to present to all levels of the business
ENRICHMENT	Identifying and filling in any gaps in the data



All this might sound easy, but it is not. Such projects are prone to failure. According to a 2003 Gartner report, more than 50% of data warehouse projects fail. The main reason is the ETL process itself, with all its inherent complexity.

In a later study (2007), Gartner predicted that more than half the data-warehouse projects would have limited acceptance or be outright failures because of a lack of attention to data quality issues.

What's more, such projects require ongoing improvements and adaptations. And by customizing your data you risk being locked out of database feature upgrades over time. You won't be able to use new versions until you re-engineer all your modifications. As many companies have learned the hard way, this creates costly problems over time, and often means that new database capabilities are never integrated into the business.

Even if the technical hurdles were not so high, in-house "solutions" also run into management and cultural issues.

For one thing, a homegrown project is often counter-productive because it simply distracts many companies from their core businesses.

For another, renewals require a different mindset than the initial ("net-new") sale. A renewal focus requires an emphasis on repeat business, where the company focuses on having customers for life, rather than on solely completing individual transactions.

It's rare to find someone in a typical organization with this view of data. There is seldom a "renewals guru" who oversees the entire renewals process end to end, and who understands the business practices and demands of the renewal economy. So in-house approaches are risky and have serious limitations.

Contract with a Third Party

Another approach (which is generally more successful) is to contract with a third party to make the data renewal ready and possibly manage part (if not all) of the renewal process.

Outsourcing has several advantages. For one thing, the specialist company is dedicated to the renewal process. That's their business; all their resources are focused on the issue.

The third party will have developed an automated system for analyzing the quality, accuracy, integrity, and completeness of the data; and for enriching it when needed. They will have tools that reflect the best practices based on (probably) years of experience. Such tools can generally do the job more quickly, efficiently and economically.

These tools not only reduce cost and improve data quality; they speed up the process, helping organizations quote renewal data in a timely fashion (ideally 90 days in advance).

Given the volume, velocity, and variety of renewal data, it is important to have this kind of tried-and-trusted methodology that can deliver the needed results. What's more, by outsourcing the renewals process, you free your IT/database team from many routine processes, so they can concentrate on more strategic projects. This higher-level involvement of the team could improve your bottom line, increase employee satisfaction and reduce employee churn.

ServiceSource

One such company, ServiceSource, provides dedicated resources and tools that represent the industry's best practices for a successful renewals program. ServiceSource has been focused exclusively on growing recurring revenue for more than a decade. The company offers managed services through Renew OnDemand™, the only cloud application built specifically to grow recurring revenue, coupled with the company's Data Services.

The combination of Renew OnDemand and Data Services leverage big data to give companies a complete view of their customers. Renew OnDemand integrates and automates complicated renewal processes into a single, efficient system.



The results are higher subscription, maintenance and support revenue; improved customer retention; and increased business predictability and profitability.

Unlike many other SaaS companies, ServiceSource provides ongoing support from its Data Services team. These highly technical professionals have years of cumulative experience managing data as part of major software implementations and data-quality-improvement projects. This team ensures that the data fed into Renew OnDemand is continuously monitored and enhanced for quality and accuracy.

And, since Renewal OnDemand is a cloud-based application, ServiceSource customers don't have to invest in IT personnel and other technical resources to manage Renew OnDemand™.

The Statistics are Impressive

ServiceSource has more than 150 million customer assets under management, supports over 145 customer engagements, and manages data records for more than 10 million end users on behalf of its customers. The company manages more than \$14.5 billion in recurring revenue for many of the world's largest and most respected technology companies, including:

- 7 of the top 10 Fortune 100 tech-based companies
- All of the top 3 high-end server OEMs
- 7 of the top 10 SaaS companies
- 3 of the top 6 global enterprise software companies
- All of the top 6 network storage companies
- 2 of the top 3 medical device companies.

ServiceSource renews a customer contract every 47 seconds through engagements in more than 150 countries and 40 languages.

These customers enjoy impressive results. On average, ServiceSource delivers 15 points of improvement in renewal rates, and a nine-point increase in customer retention.

The key to such results is renewal-ready data, the kind of sales-transaction information that replaces renewal problems with renewal revenue.

For More Information

To learn more about this topic and how ServiceSource can help drive improved financial performance and increase visibility and insight within a renewals business, visit www.servicesource.com, call 800-211-5868, email sales@servicesource.com or speak with your account representative.

Cited Sources

1. Pacific Crest Investment Group, 2013 SaaS survey
2. ServiceSource research
3. Bain & Company
4. Bain & Company
5. Scout Research



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The Service Revenue Performance Company

ServiceSource is the global leader in recurring revenue management. The world's most successful companies rely on us to maximize subscription, maintenance and support revenue, improve customer retention and increase business predictability and insight. ServiceSource delivers results with Renew OnDemand, the world's only cloud application built specifically to manage and grow recurring revenue, which can be combined with our industry-leading services.

With over a decade of experience focused exclusively in growing recurring revenue, our services and applications are based on proven best practices and global benchmarks. The company is headquartered in San Francisco, and has over \$14.5 billion under management for customers in more than 150 countries and 40 languages.